



ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JANUARY 31, 1974

Featured over-leaf are Woodward's newest additions to their group of stores.



DIRECTORS

CHARLES NAMBY WYNN WOODWARD*
 ROSE BANCROFT
 FREDERICK BLAKE BARKER
 THOMAS KENNETH CAMPBELL*
 CHARLES REGINALD CLARRIDGE*
 THOMAS RAYMOND FARRELL*
 MARCO GANDOSS, C.A.*
 GEORGE DENNISON GLANVILLE
 LESLIE GEORGE HULL
 J. NORMAN HYLAND**
 HAROLD LESLIE JOY
 CYRIL L. KEETCH
 G. W. MACLAREN, C.A.*
 JOHN OXLEY MOXON*
 LEWIS GEORGE PHIPPS
 FRANK A. ROBERTSON
 AIDAN ROBINSON
 WALTER GORDON SKINNER, F.C.A.**
 ROBERT ARTHUR WHITE**

*Member of Executive Committee

**Member of Audit Committee

AUDITORS

DELOITTE, HASKINS & SELLS
 Chartered Accountants, Vancouver, B.C.

REGISTRAR

WOODWARD STORES LIMITED
 Vancouver, B.C.

OFFICERS

CHARLES NAMBY WYNN WOODWARD
 Chairman of the Board
 THOMAS RAYMOND FARRELL
 President
 CHARLES REGINALD CLARRIDGE
 Executive Vice-President
 THOMAS KENNETH CAMPBELL
 Senior Vice-President
 MARCO GANDOSS, C.A.
 Vice-President and Secretary
 G. W. MACLAREN, C.A.
 Vice-President
 JOHN OXLEY MOXON
 Vice-President
 GORDON ALEXANDER ANDERSON
 Assistant Secretary

TRANSFER AGENTS

WOODWARD STORES LIMITED
 Vancouver, B.C.
 MONTREAL TRUST COMPANY
 Toronto, Ontario; Montreal, Quebec; Edmonton, Alberta.

HEAD OFFICE

101 West Hastings Street, Vancouver, B.C.

HIGHLIGHTS OF THE YEAR

FOR THE YEAR ENDED JANUARY 31

	1974	1973	% INCREASE
Operating revenue	\$431,456,779	\$378,779,536	13.91
Earnings excluding extraordinary income and after income taxes	\$ 10,362,776	\$ 10,061,672	2.99
Earnings per share excluding extraordinary income and after income taxes	\$1.59	\$1.54	3.25
Dividends paid	\$ 4,570,018	\$ 4,228,992	8.06
Dividends per Class A share	\$.70	\$.65	7.69

AT JANUARY 31

Working capital	\$ 71,682,180	\$ 60,170,033	19.13
Shareholders' equity	\$ 89,929,844	\$ 84,060,086	6.98
Equity per share	\$13.77	\$12.88	6.91



LETHBRIDGE CENTRE

During 1972, Woodward's, with the co-operation of the City of Lethbridge, embarked upon a significant new downtown development. This Woodward's project includes our own major Department Store and Famous Food Floor, an eleven-storey office building, a luxury apartment tower and the city's largest bank.

Lethbridge Centre is a 630,000-square foot retail, commercial, office and residential project. The mall, which will be fully enclosed and air-conditioned, is designed for a friendly "village square" atmosphere and makes extensive use of natural light. Changes of elevation within the mall will provide an unusual visual effect. The Department Store will feature a restaurant of outstanding design which will offer a superb view toward the foothills of the Rockies. The air-conditioned apartment tower will have luxury facilities such as saunas, a party room and a suspended swimming pool. Interior landscaping of the mall will be enhanced by a waterfall from the swimming pool and the use of attractive planters.

Lethbridge Centre, designed and built by Albertans, will make extensive use of local materials. Architect James Wensley has specified Alberta bricks as a facing material throughout the Centre. When opened in August, 1975, Lethbridge Centre will be a credit to the City, the Province and to Woodward's.

SEVENOAKS

Woodward's is continuing its policy of establishing new retail outlets in major growth areas and will participate in the "Sevenoaks" regional shopping centre now under construction in Matsqui, British Columbia. Woodward's, with a Department Store and Famous Food Floor, will be the centre's largest tenant.

Located on South Fraser Way in the Clearbrook area of the District of Matsqui, "Sevenoaks" is to be the first step in the realization of the Lower Mainland Regional Planning Board's concept for "Fraser City", a centre which would serve the Central Fraser Valley.

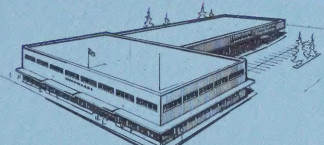
In addition to Woodward's, "Sevenoaks" will have a fully-enclosed, air-conditioned mall, another Department Store plus 50 shops offering a wide range of goods and services. The Centre, which will open in the Fall of 1975, was designed by Frank Musson for Grosvenor International Limited.



DOWNTOWN STORE, VANCOUVER



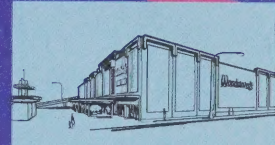
DOWNTOWN STORE, EDMONTON



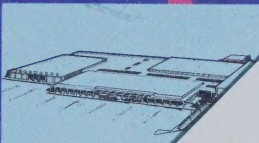
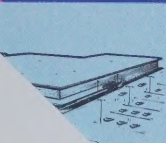
PORT ALBERNI STORE



PARK ROYAL CENTRE



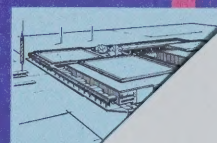
NEW WESTMINSTER STORE



OAKRIDGE



CENTRE



Sevenoaks

Frank Moss Architects



DIRECTORS' REPORT TO THE SHAREHOLDERS

It is a pleasure to present the Annual Report of Woodward Stores Limited for the year ended January 31, 1974.

Operations

We are pleased to report that operating revenue passed the \$400 million mark for the first time, and increased by 13.91% to \$431,456,779 from \$378,779,536 last year.

Earnings before extraordinary items (none in 1974) amounted to \$10,362,776 or \$1.59 per share, compared with \$10,061,672 or \$1.54 per share the year before. The improved performance was due principally to a strong demand for consumer goods and continuing emphasis on cost containment. However, because of new Federal and British Columbia income tax policies, your Company's effective rate of income tax increased by approximately 3.5%. This resulted in an increase in income taxes of approximately \$700,000 and represents a net reduction in earnings of 11¢ per share when compared to what they would have been had the prior year's level of income taxes been in effect. In addition, increases in certain operating expenses, including wages and the cost of money, have had an adverse effect on earnings.

A half-yearly dividend of 25¢ per share was declared and paid on the Class A and B shares in October, 1973. In addition, your Directors have declared a half-yearly dividend of 45¢ per share payable on April 30, 1974. In both instances the rate of dividend remained unchanged from that paid at the same time in the previous year.

The funds provided from operations amounted to \$14,371,593 compared to \$12,939,528 last year for an increase of 11.07%. The increase in long term debt of \$17,829,333 is due to the issue of \$15 million of Sinking Fund Debentures referred to in more detail under Financing and the assumption of a mortgage in connection with property purchased during the year. Working capital increased by \$11,512,147 after taking into account total funds provided of \$32,714,204 and the application of funds in the amount of \$21,202,057 including additions to properties, fixtures and equipment of \$13,181,983. Land purchases totalling \$6,359,388 and the new Edmonton Centre store fitting out costs incurred during the year of \$2,194,424 are the major items included in additions to properties, fixtures and equipment.

Financing

For the purpose of providing funds for its expansion program your Company marketed \$15 million 8¾% 20-year Sinking Fund Debentures at par in July, 1973. Approximately \$3 million remains on hand in short term deposits at the year end.

In order to facilitate future borrowings, a wholly-owned subsidiary, Woodward Acceptance Company Limited, during the year gave notice of redemption to its holders of the 6½% Debentures maturing December 15, 1980 to redeem such Debentures on December 15, 1977. The Debentureholders, in turn, waived any early redemption premium to which they were entitled.

Expansion

Woodward's Furniture Fair, which was described in detail in the last Annual Report, opened for business in October, 1973. We are pleased to report that both the sales and profits for the 3½ month period to January 31, 1974 exceeded budgeted figures. It is our opinion that this unit should continue to make a good contribution to the overall earnings of your Company.

There are at present three projects planned to come on stream during 1974. Particulars with respect to these are as follows:

1. Stage One of the Edmonton Centre development, located in Edmonton, Alberta, in which your Company has a 30% interest is nearing completion, with the official opening scheduled for May 1, 1974. This Stage includes a new 400,000 square foot leased department store for your Company, the first portions of the shopping concourse, the first office tower and parking facilities for 925 cars. It is presently planned that construction of Stage Two will commence immediately after our existing department store is vacated. Briefly, this latter Stage includes the demolition of our existing store, completion of the shopping concourse, a banking hall and construction of a second office tower.
2. The expansion of the Chinook Ridge shopping centre in Calgary, Alberta, where we have been a major tenant since 1960, is nearing completion. We will be leasing premises in the expanded facilities for a bargain store and a book store, which are planned to open in May, 1974.
3. The Arbutus Village Square shopping centre located in Vancouver, British Columbia, in which we will lease premises of approximately 25,000 square feet for a food store and a gift boutique shop is planned to open in the fall of 1974.

Construction has commenced on the Lethbridge Centre development located in the central business district of Lethbridge, Alberta, with opening being planned for the fall of 1975. This development is owned by your Company and is estimated to cost approximately \$19 million. Both interim and

long term financing arrangements for this project are presently under review. In addition, arrangements have been completed to become a principal tenant in the Sevenoaks Shopping Centre located near Abbotsford, British Columbia. The opening of this centre is planned for the fall of 1975. Further information on these two developments can be found on the inside flap of the front cover of this Annual Report.

During the year just ended 29.2 acres were purchased in Richmond, British Columbia, as a site for a future modern distribution centre. Present plans call for the commencement of construction in 1974 of a building containing approximately 800,000 square feet. The total cost, including land, is estimated at \$14.5 million.

In addition, a further 81.71 acres were purchased in the same municipality, approximately 50 acres of which are being reserved for a future shopping centre to be developed in partnership providing satisfactory zoning can be obtained. A mortgage in the amount of \$2,829,333 repayable in two equal annual instalments commencing July 30, 1974 with interest at prime bank rate was assumed in connection with the purchase of this property.

There are also plans in varying stages of progress with respect to (a) premises to be leased in Edmonton, Alberta, for a second Furniture Fair to open in early 1975, and (b) department store premises to be leased by your Company in three other shopping centre locations, two of which are located in British Columbia and one in Alberta.

Project 200

Construction of the Granville Square office building located in downtown Vancouver, British Columbia owned by Project 200 Investments Limited, in which your Company has a 23% interest, was completed during the year, and is now approximately 90% leased.

Project 200 Properties Limited, in which your Company has a 25% interest, is currently engaged in negotiations with respect to its first phase of the Gastown redevelopment scheme. This phase, estimated to cost \$1.5 million, includes the creation of 30,000 square feet of commercial space on three levels on the north side of Water Street between Cambie Street and Abbott Street in Vancouver, British Columbia.

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We expect the Canadian economy to continue its progress in 1974, but perhaps at a somewhat slower rate than in 1973. It has been estimated that the overall G.N.P. will rise by approximately 10% with real growth in the 4½ to 5% range. Consumer buying to date in 1974 continues to remain strong.

However, because of world wide demands for many raw materials and shortages of agricultural products, some merchandise is in short supply. In spite of the emphasis on cost containment, operating costs continue to rise, mainly due to accelerating wage costs, placing pressure on profit margins.

• • •

Two of our Vice Presidents retired as at January 31, 1974; Mr. H. L. Joy, Vice President Personnel, after 44 years of service, and Mr. W. G. Skinner, F.C.A., Vice President Finance and Secretary, with 26 years of service. Both of these gentlemen, through their devotion to the Company and their sage advice, have contributed greatly to the growth and success of your Company. We shall, however, retain the benefit of their knowledge and counsel, as they will remain as Directors.

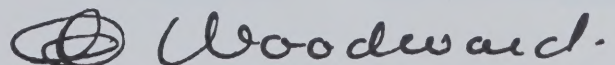
Approximately 6,000 people were employed on a full-time basis as at January 31, 1974. During periods of the year, up to 9,000 additional personnel were employed on a part-time or temporary basis to meet staff requirements for weekends, extended shopping hours, peak seasons and sale periods.

Because the availability of qualified management is recognized as a major factor in the sound growth and future expansion of your Company, a policy of developing young and thoroughly trained management personnel through training programs is maintained.

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In closing, we wish to extend, on your behalf and ours, sincere appreciation to the staff for their loyalty and the conscientious manner in which they have attended to the needs of customers. These are the attributes which contribute greatly to the success of your Company. We also thank our customers and shareholders for shopping at Woodward's.

Respectfully submitted,

 Woodward's

April 2, 1974

Chairman of the Board



WOODWARD STORES LIMITED and subsidiary companies

**SERVICE WITH SAFETY —
A SALUTE TO WOODWARD'S DRIVERS.**



MR. J. ROSE

MR. E. EATON

From warehouse to store and from store to customer, Woodward's drivers cover a lot of miles and play an extremely important role in the total Company picture. They help maintain good relations with our customers and are our representatives on city streets and highways, and we can look on their record of courtesy, safety and driving excellence with a great deal of pride.

Woodward Stores Limited has been a member of the National Safety Council since 1950 and all driving personnel in the

Vancouver Lower Mainland and Edmonton area participate in the National Safety Council Safe Driving Program. In 1973, one hundred and twenty-five Woodward's drivers covered over 2 million miles with a commendable record of only 71 accidents, with an average cost of less than \$150. National Safety Awards for drivers were presented at the Annual Drivers' Awards Banquets held this year. MR. JAMES ROSE of Vancouver was the driver with the best Safe Driving Record. For his outstanding achievement he was honoured with his



27TH YEAR SAFE DRIVING AWARD. 22nd Year Safe Driving Awards were presented to the two runners-up, Joe Lachoski of Edmonton and William Hall of Vancouver.

The B.C. Truck Roadeo where British Columbia's finest professional truck drivers are invited to compete is held annually in the Vancouver Lower Mainland area and is hosted by the Canadian Association of Fleet Supervisors. Each year Woodward's drivers participate in this event. Many of our drivers win various classes but our most outstanding driver to date is

MR. EDWARD EATON in the "One Ton Walk-In Class". Eddie's record in this Class shows a consistently high level of achievement. From 1959 to 1973, he has won the following awards: three Thirds, five Seconds, four Firsts and two Grand Champion Awards.

Woodward's is proud of the fine performance of all their drivers.


CONSOLIDATED STATEMENT OF EARNINGS
OPERATING REVENUE:

Sales including service charges	
Rental revenue and other income	
Total operating revenue	

COSTS AND EXPENSES:

Cost of merchandise sold and all other expenses except those listed hereunder	
Selling, general and administrative	
Profit sharing and retirement funds	
Interest on long term debt	
Other interest	
Depreciation	
Total costs and expenses	

OPERATING EARNINGS

Share of net earnings of affiliated companies	
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EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM

Provision for income taxes	
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EARNINGS BEFORE EXTRAORDINARY ITEM
EXTRAORDINARY ITEM:

Gain on disposal of properties and equipment (net of deferred income taxes of \$80,000)	
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NET EARNINGS FOR THE YEAR
EARNINGS PER SHARE (Note 7):

Earnings before extraordinary item	
Extraordinary item	
Net earnings for the year	

YEAR ENDED JANUARY 31

1974	1973
\$427,981,693	\$375,755,598
3,475,086	3,023,938
431,456,779	378,779,536
314,559,076	275,981,438
84,141,922	73,396,620
4,701,465	4,297,033
2,838,741	2,234,428
668,039	264,338
3,917,706	3,669,623
410,826,949	359,843,480
20,629,830	18,936,056
176,246	51,016
20,806,076	18,987,072
10,443,300	8,925,400
10,362,776	10,061,672
—	606,084
\$ 10,362,776	\$ 10,667,756
\$1.59	\$1.54
—	.10
\$1.59	\$1.64

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
RETAINED EARNINGS AT BEGINNING OF THE YEAR

Net earnings for the year	
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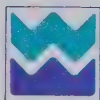
DEDUCT:

Dividends (Note 4)	
Adjustments (Note 4)	

RETAINED EARNINGS AT END OF THE YEAR
YEAR ENDED JANUARY 31

1974	1973
\$ 61,030,759	\$ 54,966,281
10,362,776	10,667,756
71,393,535	65,634,037
4,570,018	4,228,992
—	374,286
4,570,018	4,603,278
\$ 66,823,517	\$ 61,030,759

The accompanying notes are an integral part of the financial statements.


CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED JANUARY 31

	1974	1973
FUNDS PROVIDED:		
Net earnings for the year	\$10,362,776	\$ 10,667,756
Deduct gain on disposal of properties, fixtures and equipment and share of net earnings of affiliated companies	<u>204,857</u>	<u>778,799</u>
	10,157,919	9,888,957
Add items not requiring an outlay of funds:		
Depreciation	3,917,706	3,669,623
Deferred income taxes	277,000	(641,000)
Amortization of debt expense	<u>18,968</u>	<u>21,948</u>
Total funds provided from operations	14,371,593	12,939,528
Proceeds from disposal of properties, fixtures and equipment	66,778	3,045,651
Return of advances to affiliated companies	446,500	481,334
Increase in long term debt	<u>17,829,333</u>	<u>—</u>
Total funds provided	<u>32,714,204</u>	<u>16,466,513</u>
FUNDS APPLIED:		
Additions to properties, fixtures and equipment	13,181,983	6,566,837
Reduction in long term debt	3,135,639	1,831,613
Cash dividends (Note 4)	4,570,018	4,228,992
Increase in debt expense	<u>314,417</u>	<u>—</u>
Total funds applied	<u>21,202,057</u>	<u>12,627,442</u>
INCREASE IN WORKING CAPITAL FOR THE YEAR	11,512,147	3,839,071
WORKING CAPITAL AT BEGINNING OF THE YEAR	60,170,033	56,330,962
WORKING CAPITAL AT END OF THE YEAR	\$ 71,682,180	\$ 60,170,033

The accompanying notes are an integral part of the financial statements.

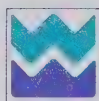
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Woodward Stores Limited and its subsidiaries as at January 31, 1974 and the consolidated statements of earnings, retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1974 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia.
April 2, 1974.

DELOITTE, HASKINS & SELLS
Chartered Accountants



ASSETS

CURRENT ASSETS:

	1974	1973
Cash and short term deposits	\$ 6,790,374	\$ 3,852,028
Marketable securities at cost (market value 1974—\$6,161,548; 1973—\$6,062,230)	1,419,008	1,419,008
Accounts receivable	38,218,210	34,789,235
Merchandise valued at the lower of cost and net realizable value	64,183,604	51,206,634
Prepaid expenses	838,111	1,060,031
Total current assets	111,449,307	92,326,936

INVESTMENTS IN AFFILIATED COMPANIES (Notes 1 and 2)	1,195,314	1,465,568
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PROPERTIES, FIXTURES AND EQUIPMENT (Note 1):

Land	18,072,315	11,712,927
Buildings and improvements	47,986,912	45,597,066
Fixtures and equipment	36,836,538	32,753,531
Total cost of properties, fixtures and equipment	102,895,765	90,063,524
Less accumulated depreciation	38,582,086	34,975,955
Net properties, fixtures and equipment	64,313,679	55,087,569

DEBT EXPENSE AT COST LESS AMOUNT WRITTEN OFF	448,895	153,446
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APPROVED BY THE BOARD:

C. N. Woodward, *Director*

M. Gandossi, *Director*

TOTAL	\$177,407,195	\$149,033,519
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CONSOLIDATED BALANCE SHEET AS AT JANUARY 31, 1974*(with 1973 figures for comparison)***LIABILITIES AND SHAREHOLDERS' EQUITY****CURRENT LIABILITIES:**

	1974	1973
Bank indebtedness and notes payable	\$ 10,574,236	\$ 8,168,431
Accounts payable and accrued liabilities	25,287,516	21,007,977
Income taxes	680,735	1,269,882
Current portion of long term debt	2,726,640	1,299,613
Notes payable to affiliated company	498,000	411,000
Total current liabilities	<u>39,767,127</u>	<u>32,156,903</u>

LONG TERM DEBT (Note 3)	<u>46,204,224</u>	<u>31,587,530</u>
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DEFERRED INCOME TAXES (Note 1)	<u>1,506,000</u>	<u>1,229,000</u>
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SHAREHOLDERS' EQUITY (Note 4):

Share capital:

Authorized:

600,000 4½% non-cumulative preference shares,
par value \$5 each, redeemable at par

8,503,300 Class A shares, no par value

1,796,700 Class B shares, no par value

Issued and fully paid:

4,757,930 Class A shares (1973—4,739,080)	12,615,825	12,501,325
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1,770,700 Class B shares (1973—1,785,700)	<u>4,426,750</u>	<u>4,464,250</u>
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<u>6,528,630</u> Total share capital	17,042,575	16,965,575
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Contributed surplus (no transactions during the year)	4,595,953	4,595,953
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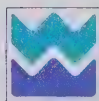
Unrealized gains on sales of certain fixed assets to affiliated companies (no transactions during the year)	1,467,799	1,467,799
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Retained earnings	<u>66,823,517</u>	<u>61,030,759</u>
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Total shareholders' equity	<u>89,929,844</u>	<u>84,060,086</u>
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TOTAL	<u>\$177,407,195</u>	<u>\$149,033,519</u>
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The accompanying notes are an integral part of the financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, JANUARY 31, 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of Consolidation and Basis of Presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries listed below, all of which are wholly-owned.

Store Companies:

British Columbia

Woodward Stores (Vancouver) Limited
Woodward Stores (Port Alberni) Limited
Woodward Stores (Park Royal) Limited
Woodward Stores (Mayfair) Limited
Woodward Stores (Westminster) Limited
Woodward Stores (Oakridge) Limited

Woodward Stores (Kamloops) Limited
Woodward Stores (Guildford) Limited
Woodward Stores (Prince George) Limited
Woodward Stores (Arbutus) Limited
Woodward Stores (Sevenoaks) Limited
Woodward's Furniture Fair Limited

Alberta

Woodward Stores (Edmonton) Limited
Woodward Stores (Westmount) Limited
Woodward Stores (Chinook) Limited

Woodward Stores (Northgate) Limited
Woodward Stores (Southgate) Limited
Woodward Stores (Market Mall) Limited

Other Companies:

Woodward Acceptance Company Limited
Provincial Construction Company Limited
Woodward Holdings Limited
Locarno Investments Limited
Britalta Wholesale Drugs Limited
J. Phillips & Company Limited

Thirty-one Purchasing Service Limited
Lansdowne Holdings Limited
Pinewood Holdings Limited
Del-Pak Foods, Limited
Woodward Stores (London) Limited
Lethbridge Centre Limited
Britalwood Investments Limited

The Company also owns 60% of the issued shares of Southgate Shopping Centre Limited, with the balance of the shares being held by Hudson's Bay Company. Under the terms of a joint venture agreement between the Company and Hudson's Bay Company all major decisions require joint approval. Accordingly, the Company does not have effective control over this subsidiary and therefore its accounts have not been consolidated. The Company's share of this subsidiary's earnings together with earnings and losses of affiliated companies have been brought into income and the Company's investment therein shown on the equity basis. The investment account has been credited with dividends received during the year of \$300,000. (1973 — nil).

(b) Accounts Receivable:

In accordance with recognized industry practice, accounts receivable include certain instalment accounts of which a portion will not become due within one year.

(c) Merchandise Inventories:

The basis of valuation of merchandise, at the lower of cost and net realizable value, is determined principally by use of the retail method of accounting, generally used within the industry.

(d) Depreciation of Properties, Fixtures and Equipment:

The companies record depreciation at rates sufficient to write off the cost of the various classes of fixed assets over their estimated useful lives. These annual rates, for the major asset classes, are principally 2½% of cost on buildings and 10% of cost on fixtures and equipment.

(e) Debt Expense:

Expenses related to the issuance of long term debt are amortized on a straight-line basis over the term of the issue to which they relate after adjusting for conversions, redemptions and purchases where applicable and the amount amortized is included in interest on long term debt expense in the statement of earnings.

(f) Store Pre-opening Expenses:

Such expenses, which are included in prepaid expenses, are amortized over a twelve month period commencing with the month of opening.

(g) Income Taxes:

The Company and its subsidiaries provide for income taxes on the deferral method of income tax allocation. Deferred income taxes arise principally from the net effect of timing differences with respect to:

- (i) depreciation recorded in the accounts and the amounts allowed for income tax purposes,
- (ii) certain expenses deferred in the accounts but claimed for income tax purposes and
- (iii) allowances for doubtful accounts accumulated in the accounts and the amounts allowed for income tax purposes.

The deferred tax effect of operating losses has been recognized and reflected as a reduction of deferred income taxes in the years the losses were incurred because of the virtual certainty of realization within the periods allowed under the Income Tax Act.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

2. INVESTMENTS IN AFFILIATED COMPANIES:

	January 31	
	1974	1973
Equity in Southgate Shopping Centre Limited, 60%:		
Shares.....	\$ 6,000	\$ 6,000
Notes and advances.....	—	238,500
Share of retained earnings.....	14,455	114,071
	<u>20,455</u>	<u>358,571</u>
Equity in Project 200 Properties Limited, 25%:		
Shares.....	400	400
Notes and advances.....	325,000	325,000
Share of retained earnings to December 31, 1973 and 1972	5,535	1,456
	<u>330,935</u>	<u>326,856</u>
Equity in Project 200 Investments Limited, 23%:		
Shares.....	230	230
Notes and advances.....	877,776	785,776
Share of deficit to December 31, 1973 and 1972	(64,082)	(35,865)
	<u>813,924</u>	<u>750,141</u>
Equity in The Edmonton Centre Limited, 30%:		
Shares.....	30,000	30,000
	<u>\$1,195,314</u>	<u>\$1,465,568</u>

3. LONG TERM DEBT:

	Maturity	January 31	
		1974	1973
Woodward Stores Limited:			
4½% First Mortgage Sinking Fund Bonds Series B with annual sinking fund requirements of \$560,000	April 1, 1975	\$ 1,200,000	\$ 1,760,000
5% Sinking Fund Debentures 1957 Series	Jan. 15, 1977	37,000	37,000
5% Sinking Fund Debentures 1958 Series with annual sinking fund requirements of \$200,000	May 15, 1978	1,715,000	1,817,000
5¾% Sinking Fund Debentures 1965 Series with annual sinking fund requirements of \$400,000 to 1977 and \$500,000 thereafter	June 15, 1985	6,805,000	7,112,000
6¾% Convertible Sinking Fund Debentures 1969 Series with annual sinking fund requirements of sums sufficient to retire on September 1, in each of the years 1980 to 1988 inclusive, 5% of the principal amount outstanding on September 1, 1979	Sept. 1, 1989	9,176,000	9,253,000
8¾% Sinking Fund Debentures 1973 Series with annual sinking fund requirements of \$500,000 in each of the years 1977 to 1980 inclusive, \$600,000 in each of the years 1981 to 1984 inclusive, \$700,000 in each of the years 1985 to 1988 inclusive, and \$800,000 in each of the years 1989 to 1992 inclusive	July 15, 1993	15,000,000	—
Woodward Stores (Westmount) Limited:			
5½% First Mortgage payable in monthly instalments of \$28,215 with a balance of \$1,193,600 due at maturity	Dec. 1, 1975	1,668,531	1,908,143
Bank Loan secured by mortgage debenture at prime interest rate plus 1% payable in annual instalments of \$500,000 with a balance of \$5,000,000 due at maturity	Dec. 1, 1975	5,500,000	6,000,000
Woodward Acceptance Company Limited:			
6½% Debentures Series A.....	Dec. 15, 1977	5,000,000	5,000,000
Lansdowne Holdings Limited:			
First Mortgage on certain land at prime interest rate payable in two equal annual payments July 30, 1974 and July 30, 1975	July 30, 1975	2,829,333	—
		<u>48,930,864</u>	<u>32,887,143</u>
Less current portion shown in current liabilities		<u>2,726,640</u>	<u>1,299,613</u>
		<u>\$46,204,224</u>	<u>\$31,587,530</u>


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

The 4% First Mortgage Sinking Fund Bonds Series B are secured by a fixed charge on certain real and immovable property and other assets of the Company and a subsidiary and by a floating charge on their undertakings.

The 5½% First Mortgage and the mortgage debenture of Woodward Stores (Westmount) Limited are secured by the Westmount Shopping Centre. The First Mortgage of Lansdowne Holdings Limited is secured by a certain parcel of land purchased during the year for future development. All Sinking Fund Debentures rank equally and are secured equally and rateably, except for sinking funds pertaining to the respective issues, by floating charges upon the undertakings and all property and assets, present and future, of the Company and its Designated Subsidiaries in the provinces of British Columbia and Alberta, subject to prior security described above.

The Trust Indentures, pursuant to which the First Mortgage Sinking Fund Bonds Series B and the Debentures of the Company have been issued, contain restrictive covenants concerning the payment of dividends. At January 31, 1974, the consolidated net current assets were approximately \$50,000,000 in excess of the requirement under the most restrictive of such covenants, and the consolidated retained earnings free of restrictions were approximately \$17,000,000. During the year Woodward Acceptance Company Limited gave notice to its debentureholders, under the provisions of the Trust Indenture pursuant to which the 6½% Debentures maturing December 15, 1980 were issued, to redeem such debentures on December 15, 1977. The debentureholders in turn waived any early premium to which they were entitled.

Maturities and sinking fund requirements during the next five fiscal years are as follows:

1975—\$2,726,640; 1976—\$8,591,224; 1977—\$637,000; 1978—\$6,100,000; 1979—\$2,200,000.

4. SHAREHOLDERS' EQUITY:
(a) Share Capital:

458,800 Class A shares are reserved to meet in full the conversion rights of the holders of the 6¼% Convertible Sinking Fund Debentures 1969 Series. 3,850 Class A shares were issued on such conversions during the year. Each Class B share may, at the holder's option, be exchanged for a Class A share. 15,000 Class B shares were so exchanged during the year.

	1974	1973
(b) Dividends:		
Cash dividends—Class A Shares	\$ 3,320,028	\$ 3,068,287
—Class B Shares (including taxes related thereto—\$187,499; 1973—\$174,106)	1,249,990	1,160,705
	<u>\$ 4,570,018</u>	<u>\$ 4,228,992</u>

(c) Adjustments to Retained Earnings:

During the prior year (year ended January 31, 1973) the Company made the following adjustments related to prior years which, because they had no material effect on earnings for those periods, were charged to retained earnings rather than allocated retroactively to specific years:

Depreciation on amounts allocated to properties on consolidation from the dates of acquisition of shares of subsidiaries to January 31, 1973	\$ 949,286
Deferred income taxes arising from timing differences related to allowances for doubtful accounts up to January 31, 1973	575,000
Net adjustments	<u>\$ 374,286</u>

5. STATUTORY INFORMATION:

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company during the year amounted to \$849,904 (1973 — \$839,953).

6. CONTINGENT LIABILITIES AND COMMITMENTS:

(a) There are major leasehold interests in shopping centres and a warehouse on which the aggregate minimum annual rentals are approximately \$4,500,000 to January 31, 1975 and \$5,000,000 thereafter (exclusive of taxes and other expenses payable by the lessee). Most leases have a percent-of-sales clause. Taking into account renewal clauses contained in every lease, the earliest expiry date is the year 2000.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**

- (b) The estimated unfunded liability with respect to the employees' pension plan is \$5,700,000 which will be amortized and absorbed against income over 16 years. The total pension expense charged against income in respect of the employees' pension plan for the year amounted to \$2,208,000 (1973 — \$1,998,600).
- (c) The Company has jointly and severally agreed under a Deficiency Agreement to make available sufficient funds to pay the principal, interest and redemption premium, if any, on the First Mortgage Bonds of Southgate Shopping Centre Limited, which were issued in the amount of \$13,500,000.
- (d) The Edmonton Centre Limited, an affiliated company, has issued \$20,000,000 8% Series A and \$15,000,000 8% Series B First Mortgage Sinking Fund Bonds (and subsequent to January 31, 1974 — \$17,500,000 9¼% Series C) to finance its development and construction costs, which for Stages One and Two are estimated will aggregate \$57,000,000. Under an Indemnity Agreement the Company has a contingent liability to the extent of 30% with respect to this indebtedness, any additional series of bonds which may be issued, and any subordinated debt which may be required to complete construction of Stages One and Two.
- (e) The Company has given its intention to enter into agreements with architects and a construction company for the construction of the first phase of the Lethbridge Centre project, which is estimated to cost approximately \$19,000,000. Negotiations are in process to arrange both interim and long term financing for the project.
- (f) In connection with the Company's investment in Project 200 Investments Limited, the Company agreed to make advances to Project 200 Investments Limited, in an amount proportionate to its shareholding in that company, to finance the completion of the office building complex known as Granville Square, Vancouver, B.C. The office building was completed and occupied in 1973 and in the opinion of management all financing requirements have been met. It is not expected that any further advances will be required in respect of this building and that release from this commitment will be received shortly. During the year, the Company, jointly with the other corporate shareholders of Project 200 Investments Limited, entered into an agreement, in connection with a bank loan agreement undertaken by Project 200 Investments Limited. The shareholders have jointly and severally agreed, while this bank loan is outstanding, to a postponement of claim on their advances and that they will not, without the prior written consent of the bank, reduce their holdings and interest in Project 200 Investments Limited except by transfer to existing corporate shareholders or their affiliates.
- (g) The company anticipates that additional costs of leasehold improvements, fixtures and equipment with respect to projects which will be completed during the next fiscal year will amount to approximately \$4,500,000.

7. EARNINGS PER SHARE:

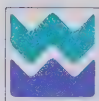
Earnings per share are calculated on the weighted average number of shares outstanding during the year. Fully diluted earnings per share, assuming conversion of all of the 6¼% Convertible Sinking Fund Debentures 1969 Series at the date of their issue, are:

	1974	1973
Earnings before extraordinary item	\$ 1.53	\$ 1.49
Extraordinary item.....	—	.08
Net earnings for the year	<u>\$ 1.53</u>	<u>\$ 1.57</u>

In calculating the fully diluted earnings per share, the earnings applicable to Class A and B shares have been increased by the amount of the interest on the convertible debentures, net of applicable income taxes, and the number of Class A shares was adjusted for the weighted daily average of additional shares that would have been outstanding upon conversion.

8. RECLASSIFICATION OF COMPARATIVE FIGURES:

Certain of the 1973 figures have been reclassified to conform with the classifications used in 1974. Such reclassifications resulted primarily from changes in disclosure requirements introduced in the Companies Act, British Columbia, which became effective on October 1, 1973. In addition the Company reclassified the gain on redemption of debentures from extraordinary income to operating earnings as such gains are recurring and are not unusual to the operations of the Company.



COMPARATIVE RECORD — Years ended January 31

	1974	1973	1972
<i>Sales Including Service Charges</i>	\$427,981,693	\$375,755,598	\$332,068,456
<i>Rental Revenue and Other Income</i>	3,475,086	3,023,938	2,240,398
<i>Selling, General and Administrative Expenses</i>	84,141,922	73,396,620	64,090,751
<i>Provision for Depreciation Charged to Operations</i>	3,917,706	3,669,623	3,213,349
<i>Interest on Long Term Debt</i>	2,838,741	2,234,428	1,747,580
<i>Profit Sharing and Retirement Funds</i>	4,701,465	4,297,033	4,093,153
<i>Provision for Income Taxes</i>	10,443,300	8,925,400	8,444,850
<i>Earnings (*Excluding Extraordinary Items of Income)</i>	10,362,776	*10,061,672	*9,129,860
<i>Earnings per Share Excluding Extraordinary Items</i>	\$ 1.59	\$ 1.54	\$ 1.44
<i>Dividends per Class A Share</i>	.70	.65	.58
<i>Working Capital (Current Assets less Current Liabilities)</i>	\$ 71,682,180	\$ 60,170,033	\$ 56,330,962
<i>Ratio of Current Assets to Current Liabilities</i>	2.80	2.87	3.10
<i>Properties, Fixtures and Equipment less Depreciation Provided</i>	\$ 64,313,679	\$ 55,087,569	\$ 57,021,261
<i>Total Assets</i>	177,407,195	149,033,519	141,559,921
<i>Long Term Debt</i>	46,204,224	31,587,530	34,141,141
<i>Shareholders' Equity</i>	\$ 89,929,844	\$ 84,060,086	\$ 78,837,360
<i>Preference Shares Outstanding</i>	—	—	—
<i>Equity of Voting Shares</i>	89,929,844	84,060,086	78,837,360
<i>Equity of Each No Par Value Share</i>	13.77	12.88	12.10

1971	1970	1969	1968	1967	1966	1965
\$290,492,320	\$281,221,930	\$257,703,431	\$233,704,646	\$204,963,060	\$181,162,210	\$163,510,197
1,996,346	1,885,439	1,578,180	1,505,304	1,382,793	1,164,011	1,171,563
56,406,338	53,368,239	48,439,704	43,853,009	38,471,346	33,843,319	30,211,204
2,954,025	2,664,417	2,953,497	2,682,705	2,321,583	1,888,809	1,597,969
1,739,962	1,394,497	1,183,004	1,250,282	1,325,250	1,167,650	810,451
3,200,106	3,422,544	2,904,771	1,854,003	1,203,564	836,920	717,800
7,603,350	7,741,300	7,108,072	6,026,385	5,365,875	4,592,567	4,017,797
7,330,536	*7,439,446	*6,762,369	6,027,111	5,440,792	4,986,229	4,482,702
\$ 1.13 .55	\$ 1.15 .52	\$ 1.04 .46	\$.93 .40½	\$.84 .37½	\$.77 .35	\$.69 .35
\$ 49,445,881 3.14	\$ 51,552,135 3.46	\$ 41,883,098 2.66	\$ 37,586,995 2.51	\$ 33,885,127 2.41	\$ 36,175,266 2.97	\$ 31,494,873 2.86
\$ 45,363,338	\$ 44,035,937	\$ 44,723,119	\$ 45,093,704	\$ 45,978,259	\$ 41,956,373	\$ 34,643,471
127,005,712	121,567,031	113,778,015	108,540,681	105,676,538	97,377,276	83,602,840
27,921,000	28,771,000	19,921,000	21,474,000	22,797,000	23,672,000	14,473,000
\$ 73,633,360 1,630,560 72,002,800 11.10	\$ 69,855,149 1,494,385 68,360,764 10.54	\$ 65,668,829 1,320,450 64,348,379 9.92	\$ 60,429,170 1,191,180 59,237,990 9.13	\$ 57,065,881 1,107,180 55,958,701 8.63	\$ 53,982,741 1,069,000 52,913,741 8.18	\$ 51,270,771 973,560 50,297,211 7.78



CONGRATULATIONS TO THE WINNERS OF THE 1973 WOODWARD SCHOLARSHIPS



HEATHER MCGREGOR, currently enrolled at the University of Alberta, is working toward a teaching degree. Extracurricular interests including sports, music, community participation, and competitive Highland dancing make Heather's schedule a full one. Her father, Nesbitt (Mac) McGregor, is Manager of the Southgate Furniture Department and has been a Woodwardite since 1934.

RON De MARCHI is engaged in studies leading to a career in Medicine. Throughout his elementary and high school years he has been actively participating in sports, student government and community affairs. Ron's mother, Jan De Marchi, has been a cashier since 1962 at the Vancouver Oakridge Cambie Room.

DUNCAN SCOBIE is currently studying at the University of Victoria where he is enrolled in a program leading to a degree in science. Duncan's varied outside interests encompass popular piano, computer programming and solid state electronics. His father, L. B. Scobie, is a Pharmacist in our Victoria store.

CHRIS JUNCK of Edmonton is another scientist-in-the-making, with a special interest in zoology. Chris has had a busy youth and enjoys a wide variety of extracurricular activities. His father, the late Cyril Junck, was with our Strathcona Distribution Centre.

RANDY HOLT, who was an outstanding student at John Oliver High School in Vancouver, is now enrolled in the Faculty of Arts at the University of British Columbia. In addition to his academic pursuits he is a keen sportsman and takes particular pride in his four handicap golf game. Randy's mother, Elsie Holt, has been a telephone operator at Oakridge since 1959.

EDUCATION FOR A BETTER TOMORROW Woodward's Scholarship Awards

In every sector of our continually developing society there is a great need for those talented and well-educated young people who will provide leadership in the future. Woodward's has, since its inception, encouraged the children of its employees to seek higher education.

In 1958, THREE five year Scholarship Awards were first offered in competition by the Company, in memory of the late Hon. W. C. Woodward, to the sons, daughters and dependents of Woodward's regular full-time staff, retired staff on Company pension and of deceased staff who died while they were regular full-time staff members.

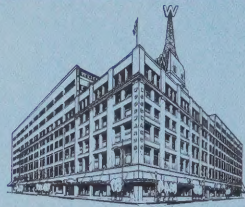
In 1970, the Scholarships were increased to FIVE, and starting in 1974 they will be increased to SEVEN, four for British Columbia and three for Alberta. They will also be increased in value from \$500 a year to \$600. This increases the total award by \$500, making each Scholarship worth \$3,000.

The applicants must be entering University for the first time and taking a full course in any faculty leading to a degree at the University of British Columbia, the University of Victoria, Simon Fraser University, Notre Dame University of Nelson, University of Alberta, University of Calgary or the University of Lethbridge.

To this date, 57 students have been awarded a Woodward's Scholarship . . . with 28 graduates; 21 under-graduates; 5 withdrawals and 3 deferments. The Company congratulates each graduating student by presenting them with an engraved watch.



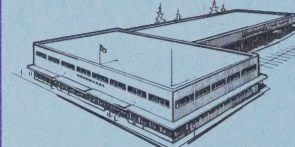
WESTERN CANADA'S FAVOURITE SHOPPING CENTRES.



DOWNTOWN STORE, VANCOUVER



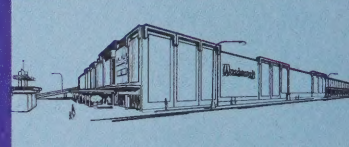
DOWNTOWN STORE, EDMONTON



PORT ALBERNI STORE



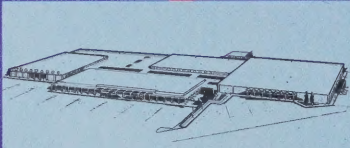
PARK ROYAL CENTRE



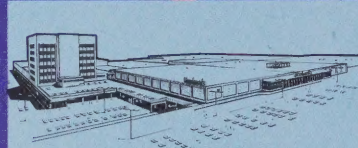
NEW WESTMINSTER STORE



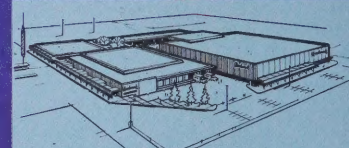
WESTMOUNT CENTRE



OAKRIDGE CENTRE



CHINOOK CENTRE



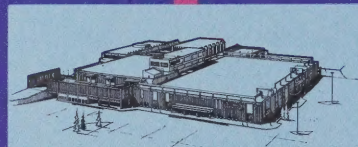
MAYFAIR CENTRE



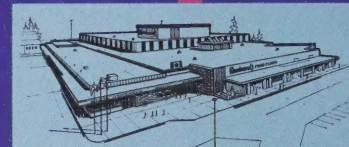
KAMLOOPS STORE



NORTHGATE CENTRE



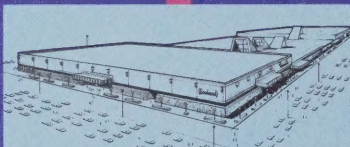
GUILDFORD CENTRE



PARKWOOD CENTRE



SOUTHGATE CENTRE



MARKET MALL



FURNITURE FAIR

- 1892 DOWNTOWN STORE *Vancouver, B.C.*
- 1926 DOWNTOWN STORE *Edmonton, Alberta*
- 1948 PORT ALBERNI STORE *Vancouver Island, B.C.*
- 1950 PARK ROYAL CENTRE *West Vancouver, B.C.*
- 1954 NEW WESTMINSTER STORE *New Westminster, B.C.*
- 1955 WESTMOUNT CENTRE *Edmonton, Alberta*
- 1959 OAKRIDGE CENTRE *Vancouver, B.C.*
- 1960 CHINOOK CENTRE *Calgary, Alberta*
- 1963 MAYFAIR CENTRE *Victoria, B.C.*
- 1964 KAMLOOPS STORE *Kamloops, B.C.*
- 1965 NORTHGATE CENTRE *Edmonton, Alberta*
- 1966 GUILDFORD CENTRE *Surrey, B.C.*
- 1966 PARKWOOD CENTRE *Prince George, B.C.*
- 1970 SOUTHGATE CENTRE *Edmonton, Alberta*
- 1971 MARKET MALL *Calgary, Alberta*
- 1973 FURNITURE FAIR *Burnaby, B.C.*

